

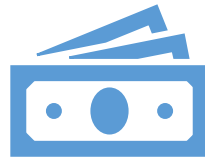
FY 22-23 Budget Briefing

SC House of Representatives

General Appropriations Act

Capital Reserve Fund

American Rescue Plan Act of 2021



A State with its Fiscal House in Order



The 10th Fastest growing State in the Nation

A Low-Tax, Business-Friendly Environment

A Diverse, Dynamic Economy

Prudent Budgeting & Fiscal Policy

Emerged from the Pandemic Better than Most States

Record Growth and Revenues

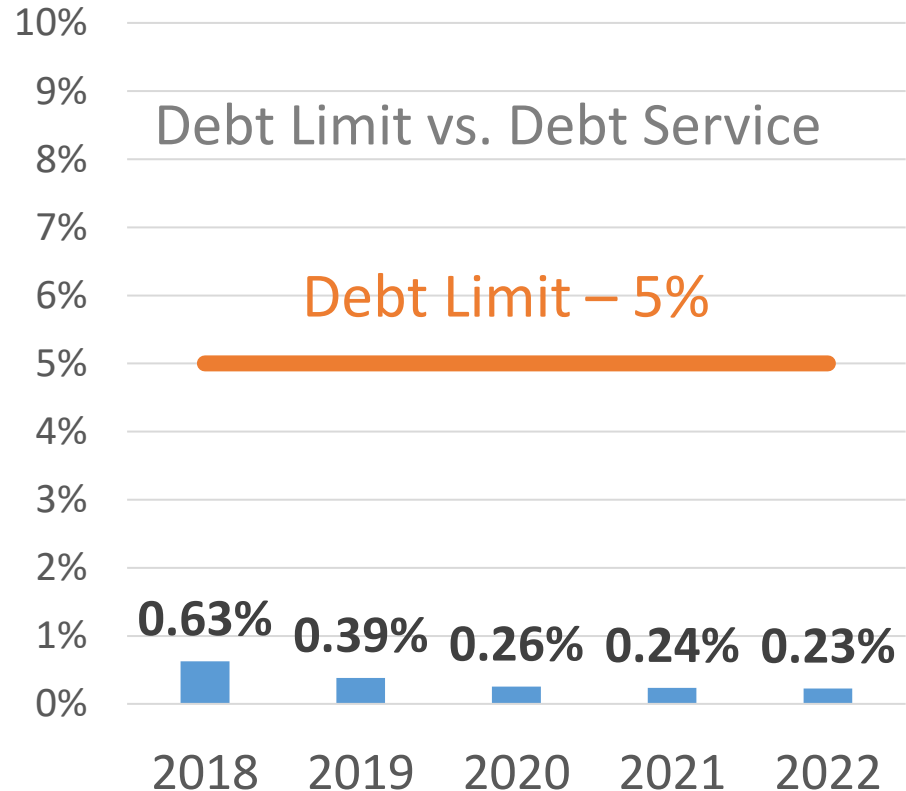
Historically Low Debt

Rating Agency	Rating	Outlook
Fitch Ratings	AAA	Stable
Moody's Investors Service	Aaa	Stable
S&P Global Ratings	AA+	Stable

Common themes from the rating agency reports include the following:

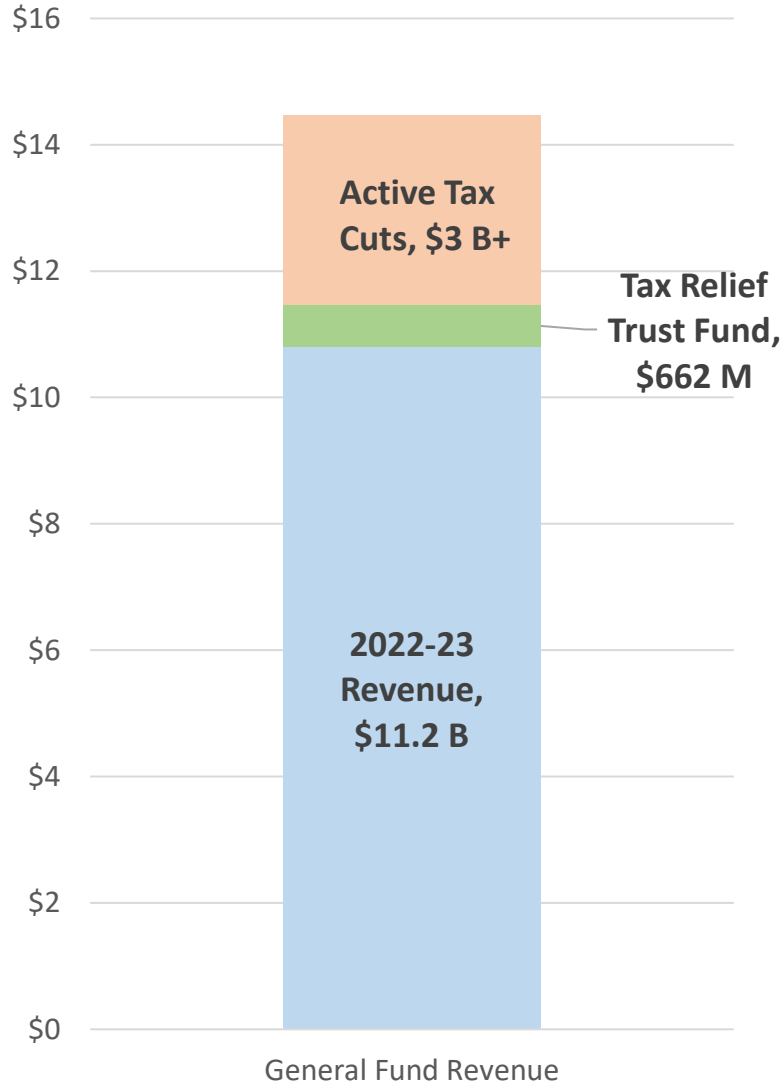
- Conservative financial management practices
- Low tax-supported debt burden
- Substantial reserves
- Revenue growth
- Balanced operations
- Diligent financial monitoring
- Notable unfunded pension liabilities (expected to improve with newly required annual contributions under 2017 legislation)
- Growing unfunded post-employment benefit ("OPEB") obligations

Source: 2022 Treasurer's Office Annual State Debt Report



*"The State of South Carolina's **conservative governance and financial management** have earned the State strong credit ratings which translates to low interest rates on the state's general obligation borrowings."*

A Legacy of Reducing Taxes



Ongoing Tax Relief

- In the last 30 years, the General Assembly has passed over \$54 billion in tax cuts.
- In this fiscal year alone, in a \$11.2 billion budget, over \$3 billion has already been returned to taxpayers.
- That represents a return of 1/3 of general fund revenues to South Carolina citizens.
- This includes individual income tax cuts, small business tax cuts, corporate income tax cuts, food tax elimination, and property tax relief.

22-23 Major Budget Priorities

Reducing Taxes

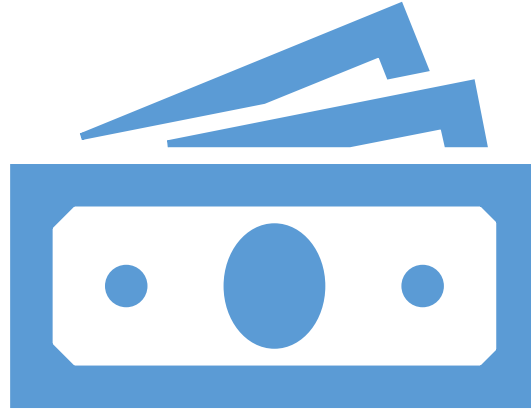
Roads

Reserves

Raises for our Public Servants

Transformational Investments in Tomorrow

- Between the Appropriations Act, the Comprehensive Tax Cut Act, and the ARPA bill, the General Assembly will have provided:
 - **\$2 billion** in tax relief
 - **\$1 billion** saved in reserves
 - **\$1 billion** to repair roads



Budget Subcommittee Allocations



Public Education Subcommittee

Rewarding our Teachers

Reforming an Antiquated Funding Formula

Fixing School Buildings in Distressed Areas



Taking Care of Teachers

	SC Starting Salary Minimum
18-19	\$30,311
22-23	\$40,000

	SC Average Teacher Salary*
18-19	\$45,320
22-23	\$52,604

Increase the state's minimum starting salary from \$36,000 to **\$40,000** per teacher and increase the salary schedule by **\$4,000** per step.

This would increase the minimum starting teacher salary by 32% over **five years**.

In the same five-year period, SC's average teacher salary based on the minimum salary schedule would increase by **\$7,284** (*excluding local supplements).

The budget also increases teacher supply checks from \$275 to \$300.

A New Education Funding Model: Updating & Modernizing a 45-year-old Formula



SIMPLICITY



FLEXIBILITY



TRANSPARENCY



ACCOUNTABILITY

- Education funding is a state-local partnership. The state share increases from 70% to 75%.
- State Aid to Classrooms is funding the equivalent of an 11.2 teacher to 1 student ratio.

2022-23 Per Pupil Funding Totals

- State Aid to Classrooms - **\$4,895 average per pupil.**

The average total K-12 funding for next year is projected to be:

- \$7,694 state
 - \$1,274 federal,
 - \$7,859 local (excluding local bond issues)
 - **\$16,827 Total**
-
- **K-12 Schools will receive over \$12 Billion in funding next year.**

Simplicity

Simplifying Funding Streams:

- EFA of 1977 had only three line-item appropriations to school districts for K-12 education. Today, school districts receive recurring general funds and EIA funds from approximately 29 separate line-item appropriations.
- We have rolled up five current EIA line items into one primary EIA line and one General Fund line: **“State Aid to Classrooms.”**

Simplifying Student Weightings:

- New consolidated student weights **target dollars to districts with students who need it the most.**
- Examples include an increase of the poverty weight from 0.20 to 0.50 and consolidating a range of weightings (from 1.74 to 2.57) for students with disabilities to a single increased weight of 2.60 for all students with disabilities.

Flexibility

Districts are required:

- to meet the minimum salary schedule.
 - to provide students with services needed to meet the state educational goals as defined by S.C. Code Ann. § 59-1-50.
 - to meet the educational **needs of students with disabilities** as defined by the student's Individualized Education Program (IEP).
-
- After satisfying these, how districts spend State Aid to Classrooms and meet the educational needs of students is determined by the districts.

Transparency and Accountability

There will be greater accountability and transparency in how all funds – state, local and federal - are expended.

An **online dashboard** will be created to document spending at the district and school levels. Each district must also publish on its website.

All district audits must be conducted by vendors who are pre-approved by the State Auditor.

Investing in School Buildings, Buses, and Learning

\$140 million to the Department of Education for capital improvements in disadvantaged school districts.

\$12 million for leasing and purchasing of school buses.

\$4.3 million for a 5% bus driver raise (+3% state employee raise will bring the total bus driver raise 8%.)

\$100 million for instructional materials.

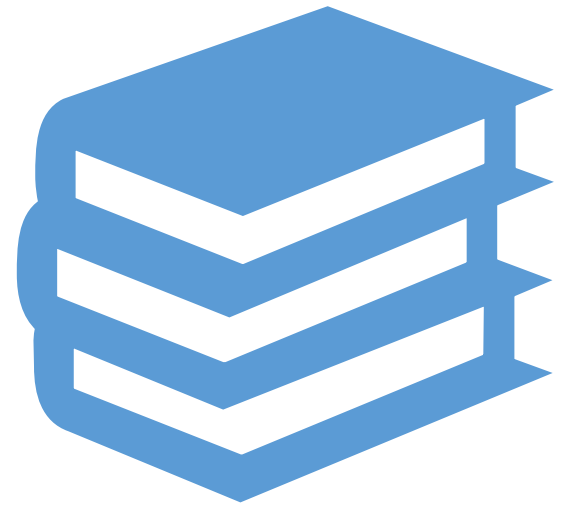
\$5.4 million to expand VirtualSC.

Higher Education Subcommittee

Freezing Tuition for SC students

**Providing Scholarships and Addressing
Critical Workforce Needs**

**Investing in Capital and Maintenance of
Public Buildings**



College Affordability & Assisting Students

\$55 million for a complete tuition freeze for in-state, undergrad students at all public 4-year and 2-year USC campuses.

- For the fourth year, tuition mitigation maintains current tuition costs and prevents an increased burden from being placed on South Carolina taxpayers attending college in the state.

\$7 million for Tuition Mitigation to be split between the technical colleges.

Fully funds LIFE, HOPE, Palmetto Fellows, and Lottery for Tuition Assistance (LTAP) through the Lottery for the 7th year in a row.

- Over these past seven years more than **\$2.45 billion** has been awarded to students to attend college through these efforts.
- The vast majority of South Carolinians that attend a public college in the state will utilize at least one of these scholarships.

College Affordability & Assisting Students

\$70 million for Needs Based Grants and **\$20 million** for Tuition Grants which goes to help the most in need college students

- Needs Based Grants funding has more than tripled and Tuition Grants has doubled in the last two years.
- The max yearly award is now \$3,500 for Needs Based Grants and \$4,390 for Tuition Grants.

\$4.1 million to establish a College Transition Program to provide scholarships to students with disabilities in programs that promote the advancement of academics, socialization, independent living, and career development.

\$400,000 to create the SC Institute on the Prevention of Sexual Violence on College Campuses.

Maintaining our Workforce

- Provides funding at technical colleges in FY 22-23 for enrollment in critical workforce need programs throughout the state: Total of **\$56 million**
 - It includes industries such as manufacturing, health care, computer science and information technology, transportation distribution and logistics, construction, and others
- **\$20.8 million** for workforce training equipment split between the Technical Colleges.
- **\$2 million** for Ready SC to train workers at new companies and existing companies looking to expand.
- **\$750,000** at the Commission on Higher Education to help college degree and credential attainment in the state

Investing in Infrastructure and Maintenance of Public Buildings on Higher Education Campuses

\$328 million to fund maintenance, renovation, and capital needs across the public 4-year and 2-year USC campuses.

\$247 million to fund maintenance, renovation, and capital needs across the technical colleges in the state.

Much of the funding will be used to perform necessary maintenance on state-owned buildings and assets that will become a state liability if not addressed.

South Carolina has not passed a bond bill for state capital projects since 2001.



Healthcare Subcommittee

Statewide Behavioral Health Reform
Addressing Medicaid & DSS Liabilities

Mental and Behavioral Health

\$61.5 million to begin to address every facet of this system of care through the revamped Behavioral Health Capacity proviso. From inpatient beds, to outpatient care, to school-based services, people of all ages in every region of the state will begin to see a mental and behavioral healthcare system that works together instead of one that is disjointed and insufficient.

Highlights from the proviso as amended in Committee:

- Goal for every citizen to be within 90 minutes of behavioral health services.
- Adequate care regardless of someone's ability to pay out-of-pocket.
- 24/7 behavioral healthcare services available, whether in-person or virtually.
- Ending the practice of out-of-state individuals taking beds from in-state citizens.
- Bringing back a state-owned Psychiatric Residential Treatment Facility for troubled youth.
- Adding more Crisis Stabilization Units around the state to ease the current burden on our Emergency Department and ensure individuals receive proper care for their needs.

Health and Human Services & Rural Healthcare Delivery

\$200 million to close the gap on the state's maintenance of effort liability for Medicaid. Funding this at such a high level gets the state within reach of closing that gap and continues the current service and reimbursement levels for Medicaid enrollees.

In addition to keeping current services in operation, the Committee funded **nearly \$30 million** in waiver services, cost-of-living increases, rate increases, and transferred a net-neutral amount of **\$172 million** between DDSN and HHS representing a much-needed change to the DDSN reimbursement model. This change enables providers to bill HHS directly instead of going through DDSN first.

To continue the improvement of healthcare services in our rural areas, we funded a recurring increase of **\$575,000** to the SC Center for Rural and Primary Healthcare's iCARE program, which funds clinical services in rural communities through boots on the ground subspecialists, primary care, and high need providers such as OB/GYNs focused on maternal and child health. **\$6 million** non-recurring are included to fully fund the Center's innovative request to revitalize healthcare delivery in rural areas by creating healthcare "hubs" that will eventually be fully funded on their own.

Public Health & Protecting Children

DHEC

- **\$104.4 million** through ARPA funds to fully fund a new statewide public health laboratory, to replace the outdated current building. The new lab will be much larger, allowing for the improvement of current services, the space to add new services, and will fix issues plaguing the agency during the pandemic.
- **\$5 million** ePermitting project completion (will streamline permit application & approval process statewide, especially as more projects continue to go into the pipeline as federal relief dollars are expended)
- **\$3 million** in salary adjustments for employees.

MUSC Hospital Authority

- **\$10 million** to the Children's Hospital Infrastructure Fund, which will assist the state's four not-for-profit hospitals (McLeod, Prisma Midlands & Upstate, and MUSC) with technology and infrastructure needs.
- **\$8 million** for the Hollings Cancer Center to become designated as a Comprehensive Cancer Center, putting the state's research institution hospital on the same level as Duke, Wake Forest, UNC, and Emory when it comes to the level of cancer services provided by the hospital.

Department of Social Services

- Fully funded the agency's request for **\$39 million** to address their staffing shortages and salary inadequacies, which will hopefully satisfy the long-running Michelle H. lawsuit settlement.

Economic Development Subcommittee

Driving Continued Economic Growth & Business Recruitment
Promoting and Expanding the State's Agribusiness Community
Supporting Tourism and Quality of Life

Economic Growth & Promoting Tourism

SC Ports Authority

- **\$350 million** for the Navy Base Intermodal Facility and inner harbor container barge infrastructure - a \$550 million project that will efficiently move rail cargo to and from the facility ensuring SC ports remain an economic engine attracting investment to our communities and creating high-paying jobs for our citizens.

Department of Commerce

- **\$200 million** to recruit high impact economic development projects new and **\$100 million** for strategic economic development infrastructure essential to attracting and maintaining our State's success and competitiveness for opportunities having a significant, lasting impact in expanded areas of the State.

Rural Infrastructure Authority

- **\$1.5 million** to assess and improve infrastructure that impacts the quality of life for residents and creates economic opportunities for small and rural public water and sewer utilities that face unique challenges in providing safe drinking water and complying with water quality standards.

Economic Growth & Promoting Tourism

Department of Parks, Recreation and Tourism

- **\$21.5 million** to upgrade and “safe up” park facilities, modernize camping amenities and the existing exhibits within the State’s parks; as well to fund the infrastructure and start-up costs in the acquisition of two Dominion Energy Properties and the Black River State Park.
- **\$20.7 million** for advertising and promotion of South Carolina as a “preferred vacation destination” through funding awarded to Destination Specific Grants, Tourism Advertising Grants, and Regional Tourism representing all counties in SC.

Department of Archives & History

- **\$7.4 million** to preserve and promote the heritage of the Palmetto State in its commemoration of the 250th anniversary of the American Revolution in South Carolina. Curriculum will be developed for K-12, sites acquired, attractions created, along with promotion and outreach to educate citizens and visitors regarding our State's pivotal role.

Arts Commission

- **\$5.5 million** in resources to support community arts organizations and allow expansion of the arts and culture through their continued operations and pilot programs that connect the arts to rural communities.

Agribusiness

Clemson PSA

- **\$2 million** to enhance and expand the Clemson Cooperative Extension's current health and nutrition programming by creating a team that will deliver research-based nutrition and wellness education programs that help South Carolina citizens lead healthy lives.
- **\$12 million** for the renovation and construction of facilities providing expanded services in livestock poultry health; as well other agricultural research on matters affecting farmers.

SC State PSA

- **\$2.6 million** in the continued training and educating of farmers on emerging areas of agriculture – urban and community, controlled, and organic; as well, innovative research in alternative crops.
- **\$2 million** to support the construction of cabins at historic Camp Harry E. Daniels allowing campers the traditional camping experiences that promote leadership development, citizenship responsibility and teamwork.

Department of Agriculture

- **\$3 million** in physical improvements to strengthen the Farmers Markets' brand, capitalize on growing demand for Certified SC Grown, improve security and increase revenue as these upgrades to the current facilities will allow for more tenants and year-round (indoor) vending.

Forestry Commission

- **\$4.5 million** to increase the general public's access to Wee Tee State Forest providing recreational activities such as hunting, fishing, wildlife viewing and hiking.
- **\$1.75 million** to increase service capacity for the prevention of wildfires and technical assistance to forest landowners.



Criminal Justice Subcommittee

Increasing State Law Enforcement Pay and Retention

Officer Training and Safety Equipment for State & Local Law Enforcement

Major investments in Land Conservation for Public Access

SC Law Enforcement Agencies Face "A Triple Threat"

1. Fewer people are applying to become police officers.
2. More people are leaving their departments, or the profession, well before retirement age.
3. A growing number of current officers are becoming eligible for retirement.

15.63%

**OF ALL OFFICERS ARE
ELIGIBLE TO RETIRE
WITHIN 5 YEARS**



444

VACANT POSITIONS

AS OF JANUARY 2022

APPLICATIONS DOWN

25.6%



Recruitment and Retention of Officers

A comprehensive law enforcement compensation analysis by State Human Resources found that 39% of those leaving state government went to work for a local law enforcement agency.

\$38 Million to raise the salaries for Law Enforcement & Correctional Officers to address the critical shortage in both areas.

New Starting Salaries

- SLED - \$50,500
- Dept. of Public Safety - \$48,000
- Dept. of Natural Resources - \$46,500
- Probation, Parole and Pardon - \$44,500

Dept. of Corrections

- Level I Facility - \$38,000
- Level II Facility - \$42,560
- Level III Facility - \$47,500

Juvenile Justice

- Level I Facility - \$38,000
- Level II Facility - \$40,432

Officer Training and Safety Equipment for State & Local Law Enforcement

\$10 Million for Law Enforcement Professional Development and Training.

\$20 Million to provide Body Worn Cameras and Body Armor for all law enforcement officers.

\$25 Million
for Mandown Electronic System at Level II and Level III Correctional facilities, Security Cameras and ballistic/multi threat vests for emergency responses teams and correctional officers.

Health & Mental Health Personnel, Services and Equipment

\$20 Million for SMI Youth Facility

- Facility will provide continual and needed care for juveniles with severe mental health conditions.

\$6 Million Critical Supplies and Equipment at Dept. of Corrections

- Medical and dental supplies/equipment
- Inmate Medications and Vaccines
- 30-Day Discharge Medication to enhance the care and discharge planning

\$7.5 Million for Primary Care and Mental Health positions

- 70 new Primary Inmate Care and Behavioral Health Services positions at Dept. of Corrections
 - 40 positions to improve the efficiency and effectiveness of primary inmate health services within correctional institutions
 - 30 positions to provide continued care and services to the mentally ill incarcerated population
- 7 new positions to expand Mental Health Program at PPP
 - This is the 1st phase of a 4-year plan to reach 100% coverage for all counties. This 1st phase will provide coverage for an additional 8 counties by employing additional specially trained Mental Health Agents to supervise and support offenders who suffer from mental health conditions.



Preservation of our Natural Resources

\$68 Million for the conservation of land in South Carolina

- \$3 Million recurring & \$25 Million nonrecurring for Conservation Grants at the Conservation Bank.
- \$40 Million nonrecurring for land conservation and acquisition at Dept. of Natural Resources.
- Funds will be used to acquire key properties throughout the state that are important in sustaining wildlife, fish and plants, as well as provide additional outdoor recreation opportunities for the citizens of South Carolina.



Transportation & Regulatory Subcommittee

- Unprecedented Investment in State & Local Roads
 - Improving our Airport Infrastructure
- Enhancing Urban Search and Rescue Capacity

Repairing & Resurfacing State & Local Roads

With the \$453 million from the American Rescue Plan, and the general fund dollars appropriated in this budget, there will be nearly **\$1 billion in additional funds for roads**.

\$453 million from ARPA will go towards two significant interstate projects: the widening of 70 miles of I-26, and the widening of 33 miles of I-95.

- Both of these projects are expected to be accelerated by the one-time infusion. I-26 by 6 years and I-95 by 3 years.
- The funding of the I-26 widening is viewed as the “pinch point” that, once relieved, will help accelerate all other planned projects.

\$120 million in recurring funds for state match to fully draw down available federal funds for discretionary grants.

- With these funds SCDOT plans to enhance their 10-Year plan put into place after the 2017 Roads Bill.
- These grants provide an opportunity to address unfunded gaps like urban congestion and improving rural access. The updated plan will also include a focus on increasing the number of projects addressing bridges, pavements, capital drainage, and regional mobility (including widening projects), among other items.

\$133 million for rural interstate funding to accelerate significant interstate projects.

- This is to top off the ARPA funds and cover the full estimated cost of the two mentioned projects.

\$250 million in one-time funds to the County Transportation Funds to accelerate local projects, with a focus on secondary and low volume primary roads.

Airport Infrastructure, Urban Search and Rescue, and CDL Licensure Expansion

Division of Aeronautics

- **\$53 million** for the Statewide Airport Growth Response that will create grants for commercial and local airports to address infrastructure needs and other upgrades for local economic support.

Department of Labor, Licensing & Regulation

- **\$22 million** for replacing all equipment for the state and regional Emergency Search and Rescue Task Force teams and all equipment for the Urban Search and Rescue division.
- **\$5.7 million** for the Urban Search and Rescue Headquarters renovation, creating space for housing equipment and new recruits for training.
- **\$850,000** for EMT tuition assistance to allow two years of free tuition for 850 new EMTs.

Department of Motor Vehicles

- **\$4.1 million** in recurring funds for the remaining portion of the Career Pathing Plan.
- **\$3.2 million** for Commercial Drivers' License testing site expansion, creating 9 additional testing sites across the state.
- **\$3 million** to ramp up DMV services, including CDL expansion and additional IT and data security personnel.
- **\$1.9 million** to establish the Motor Carrier Service State Program, which will implement the one-stop-shop approach to handle all trucking needs.



Constitutional Subcommittee & Statewide Items

**Returning Money
to Taxpayers**

**Increasing
Reserves**

**Recruiting and
Retaining State
Employees**

Income Tax Relief and Increased Reserves

- Funds S. 1087, the Comprehensive Tax Cut Act of 2022, which will **rebate \$1 billion back to taxpayers** and permanently cut taxes by another **\$1 billion** when fully implemented.
- The plan provides significant relief to almost all taxpayers and simplifies our tax system by collapsing the middle rates into the lowest rate of 3% and lowering the top rate of 7% to 6.0%.
- Added **\$590 million to our reserve funds**, which brings South Carolina's total reserves to over **\$1.2 billion**.



Taking Care of State Employees

State Employee Pay and Benefits

- **\$72 million** for a 3% pay raise for state employees – the largest pay raise in six years.
- **\$45 million** for a \$1,500 bonus for all state employees.
- **\$101 million** to fully cover the state employee health and dental insurance increases and well visits will now be covered. Employees will have no additional monthly premium cost.

Return to Work (Proviso 118.80)

- SCRS & PORS retirees who return to work after a 12-month break in service are exempt from the earnings limitation

Pension Stabilization

- **\$37 million** in the general fund to fund employer cost of the pension increase required by law.
- Our retirement systems are much more financially stable - because of this additional revenue and the investment gains from the Investment Commission, our system's funding periods are significantly lower than was even anticipated - down from 30 years in both systems to 20 years for SCRS and 19 years for PORS.

Natural Disaster Response & Statewide Resiliency Efforts

South Carolina has had seven major natural disasters since 2015. This budget recognizes the need for reserve funds that stand ready to provide aid to affected areas if and when a disaster occurs. Not only that, but funding will also be used to lessen the impact of disasters on the communities and citizens of South Carolina by planning and coordinating statewide resilience and by implementing long term recovery and hazard mitigation.

- **\$10 million** additional provided to the statewide Disaster Trust Fund account to be used to offset FEMA matches.
- Additional **\$100 million**, funded through ARPA, for resiliency efforts and disaster mitigation at the Office of Resiliency.
- These funds may be used for:
 - Disaster relief assistance
 - Hazard mitigation
 - Infrastructure improvements
 - Statewide resilience planning

Securing Elections & Prioritizing the Military and Veterans

Election Commission

Election integrity and security is vital. These additional dollars help support the State Election Commission with their mission to provide every eligible citizen the opportunity to register to vote, participate in fair and impartial elections and to have the assurance that their vote will count.

- **\$2.8 million** for Election Integrity and Compliance Auditor Program
- **\$1.2 million** for Election Security Funding

Adjutant General

- **\$4.5 million total for armory operations and maintenance** – continued funding to revitalize, maintain, and operate the State's armories.
- **\$3 million for renovations to the Olympia Armory** – this will complete the renovations needed for the State Guard's Olympia Armory.

Veterans Affairs

- **\$10 million for Veteran Transition Homes** – funding will provide for the development, building, and implementation of new facilities that will serve veterans-in-need as a residential, rehabilitation, training, and administrative hub.
- **\$10 million for Military Enhancement Funds** which will be used to continue to protect our military bases from base-reduction initiatives.

The background of the slide features a close-up, slightly blurred photograph of industrial infrastructure. Several large, horizontal pipes made of a brownish metal or plastic run across the frame. A vertical pipe on the right side has a 90-degree elbow at the top. In the center-right, a circular pressure gauge with a white face and black markings is mounted on a vertical pipe. The entire scene is set against a dark, textured blue-grey wall.

American Rescue Plan Act

Water and Sewer Infrastructure

Fixing Roads

Statewide Broadband

A New Public Health Lab

ARPA Allocations

Statewide Water and Sewer Infrastructure Grants (\$900 million)

- A major investment that will improve water, wastewater and stormwater systems throughout the state and help to strengthen critical services to residents and businesses.
- Grant opportunities include community impact grants, regional solutions, and viability planning.

Interstate Widening Acceleration Plan (\$453 million)

Statewide High-Speed Internet Expansion (\$400 million)

- Grants will be used to provide financial assistance to install and deliver broadband infrastructure in high priority unserved areas throughout the state.

A New Public Health Lab at DHEC (\$104 million)

- Will fully fund a new statewide public health laboratory that will replace the current outdated building that will add space for new services and fix capacity issues brought to light by a global pandemic.

